Weekly Economic Review

Decline in earnings moderating

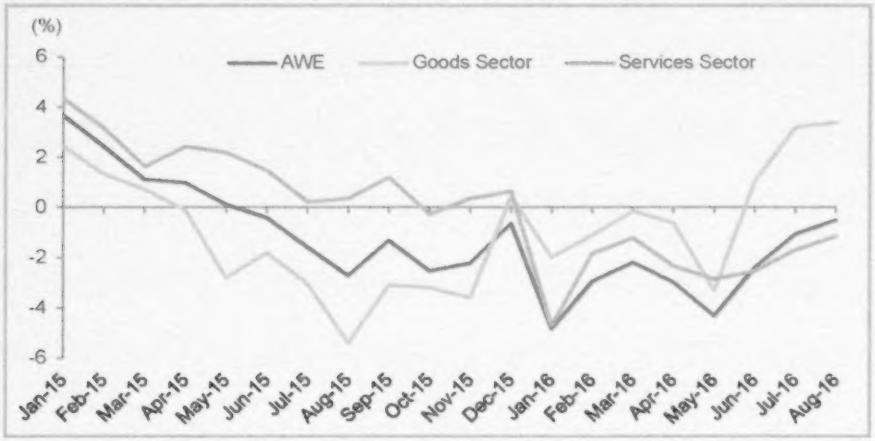
Average Weekly Earnings

Earnings hold fairly steady

Average weekly earnings were roughly unchanged in August, falling only slightly to $1,123 following small upticks in June and July. A decline in goods sector earnings (-2.7%m/m) outweighed a modest gain in the service sector (+0.8% m/m). Within the service sector, earnings were propped up by higher pay in business management (+8.8% m/m) and accomodation and food services (+7.3% m/m). Meanwhile, the decline in goods sector earnings was largely driven by lower earnings in construction (-3.4% m/m). Despite the monthly decline, goods sector earnings were still up 3.4% compared to a year ago due to strong growth in mining and oil and gas and manufacturing. On the other hand, service sector earnings remain weaker than last year (-1.2% year-over-year). Overall, the pace of decline decelerated significantly, with earnings in Alberta down 0.5% y/y (Chart 1). While earnings have fallen 2.7% so far this year, Alberta continues to have the highest AWE in the country, well above the national average of $960.

Chart 1: Year-over-year decline in average weekly earnings easing

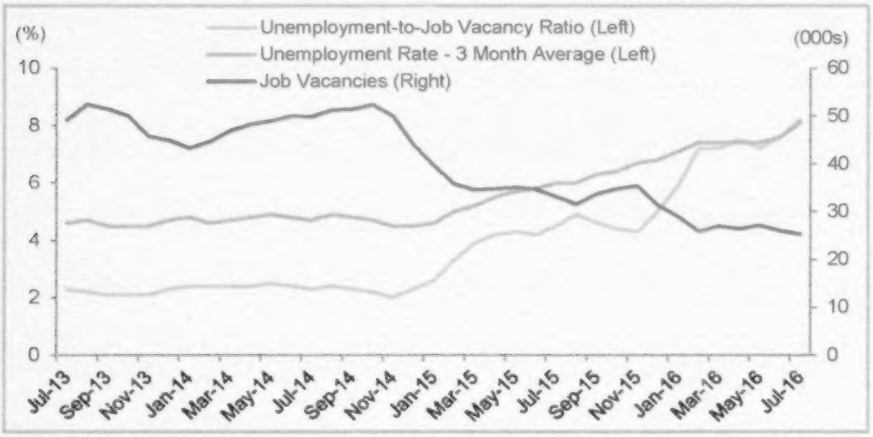
Year-over-year growth in average weekly earnings



Source: Statistics Canada

Chart 2: Unemployment-to-job vacancies ratio highest on record

Alberta labour market indicators



Source: Statistics Canada

Job Vacancies

Albertans face fewer job openings

People searching for work in the province continue to struggle with weak job prospects. Job vacancies fell for the second straight month to an average of 25,300 over the three-month period ending July 2016. Compared with July 2015, there were 7,800 fewer jobs available. Meanwhile, Alberta's job vacancy rate - the proportion of positions yet to be filled - inched down 0.1 percentage point to 1.3% between June and July, just under the national average of 1.4%. The decline in vacancies combined with higher unemployment pushed the unemployment-to-job vacancies ratio to 8.2, the highest on record (Chart 2).

Wholesale Trade

Wholesale trade picks up

Alberta's wholesale trade improved in August. Wholesale trade jumped 2.1% m/m to $6.2 billion, partially offsetting the decline in July. However, wholesale trade was still 4.7% lower than last year, largely reflecting ongoing weakness in building material and supplies (-12% y/y) and farm products (-17% y/y). Wholesale trade

in machinery, equipment and supplies subsector picked up for the first time since the recession started (5.4% y/y), while other categories such as as personal and household goods (13% y/y) and motor vehicle and parts (11% y/y) also posted gains (Chart 3).

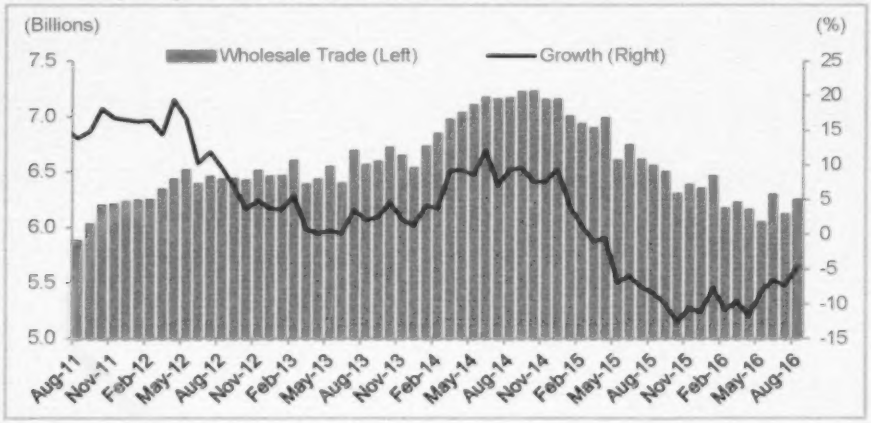
Railway Carloadings

Railcar traffic reaches pre-wildfire level

Railcar shipments originating from Western Canada have returned to pre-wildfire levels. Western Canada shipped a total of 148,551 railcars in August, roughly the same as in April 2016. A significant portion of the gains were associated with the restoration of fuel oils and crude, which have rebounded by almost 80% since May, and by growth in coal shipments (+7.6% y/y). While fuel oils and crude shipments have largely recovered from May's disruptions, they remain depressed compared to last year's level (-29.5% y/y). Agriculture and food railcars were down almost 10% y/y, with wheat shipments (-22.7% y/y) remaining a significant drag. On a positive note, chemical shipments were up (8.6% y/y) mainly due to more fertilizer carloadings (8.5% y/y) while shipments of wood products remain strong (8.9% y/y).

Chart 3: Wholesale trade improves

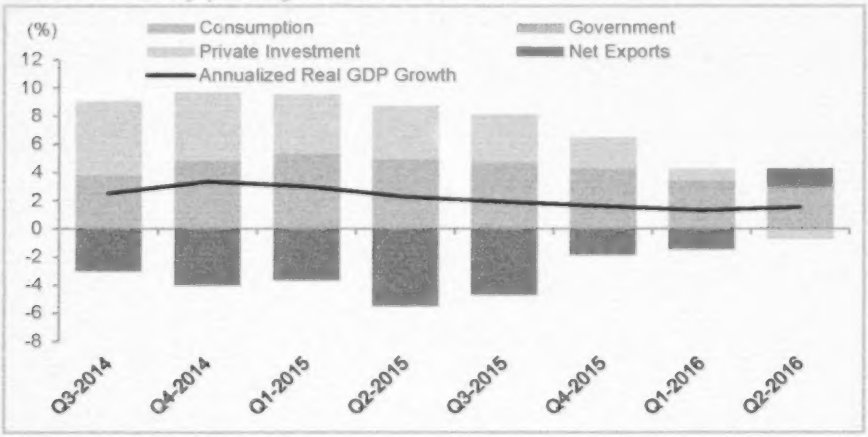
Year-over-year growth and levels of wholesale trade



Source: Statistics Canada

Chart 4: US economy performs well in third quarter

Contributions to y/y change in US Real GDP



Source: Statistics Canada

US Housing Market

US single-family home sales surge

The US housing market got a welcomed boost. Following a pullback in August, sales of new single-family houses rebounded 3.1% m/m in September to an annualized rate of 593,000. Similarly, existing home sales increased 3.2% m/m in September to an annualized rate of 5,470,000. Year-to-date, new home sales rose 13.0% while existing home sales increased by a modest 2.9%. Meanwhile, building permits increased 6.3% m/m in September, the highest monthly increase since November 2015. The US housing market remains on solid footing with the months' supply of existing homes and inventory of new completed homes below historical averages.

US GDP

US economy expands despite lower investment

The US economy picked up steam in the third quarter of 2016. US GDP grew at 2.9% annualized pace, the fastest pace since Q3 2011. Growth was lifted by a strong gain in exports (+10% quarter-over-quarter) and a significant build in inventories. Consumption also added to growth, led by the strongest quarterly contribution from motor vehicle and parts sales since Q4 2011. Non-residential investment remained weak as gains in non-residential structures were offset by the continued declined in equipment investment (Chart 4).

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.